

22 February 2023

ACROW ANNOUNCES STRONG 1H FY23 FINANCIAL RESULTS, UPGRADES FY23 GUIDANCE

Key Highlights

- Revenue up 14% on PCP
- EBITDA up 38% on PCP
- NPAT (underlying) up 52% on PCP
- Interim dividend of 1.7 cents, 85% franked
- ROE 26.1% - more than doubles over 4 years
- Record new hire contracts secured
- Record sales pipeline
- Upgraded FY23 guidance – EBITDA up 34%, Underlying NPAT up 46%, EPS up 39% on PCP

Acrow Formwork and Construction Services Limited (ASX: ACF) (“Acrow” or the “Company”) is today pleased to report the 1H FY23 Financial Results. For the six months ended 31 December 2022, the Company reported record sales revenue, EBITDA, and underlying NPAT, up 14%, 38%, and 52%, respectively. An interim dividend of 1.7 cents per share (85% franked) was declared.

Six months ended 31 December (\$000)	1H FY23	1H FY22	Variance	% change
Sales	79,155	69,315	9,840	14%
EBITDA	23,019	16,715	6,304	38%
NPAT (underlying)	12,191	8,020	4,171	52%
NPAT (reported)	10,490	7,353	3,137	43%
Operating Cash Profit	16,601	10,186	6,415	63%
EPS (underlying) (cps)	4.7	3.3	1.4	44%
Dividends (cps)	1.7	1.2	0.5	42%

Key financial highlights include:

- Group revenue up 14% on PCP to \$79.2m, attributable to a strong trading performance in the formwork division, up 34% on PCP. The strong group performance continues to be all organically generated
- Sales contribution of \$48.4m, up 29%, driven by growth across all divisions. Margin up 6.8ppts to 61.1% due to significant mix change towards hire revenue as a proportion of total
- Underlying EBITDA of \$23.0m, up 38%, and EBITDA margin of 29.1%, up 5ppts

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- Underlying NPAT of \$12.2m, up 52%
- Underlying Earnings Per Share up 42% to 4.7 cents per share
- Interim Dividend Per Share up 42% to 1.7 cents per share
- Net debt to EBITDA maintained at 1.1 times¹
- Operating Cash Profit of \$16.6m, up 63%
- Return on Equity at a record level of 26.1% up 6.9ppts

Commenting on the results, Acrow CEO, Steven Boland, said: "It is very pleasing to see Acrow continue to build on the success of FY22. Record financial results were once again achieved in 1H FY23, with profit growth across the three divisions. Notably, we have seen a 32% increase in formwork sales contribution, with the four key drivers including:

1. Continued growth in Queensland through both market activity and market share gains;
2. Significant market share gain in New South Wales;
3. The best six monthly Natform results since acquisition; and
4. The first revenues from our new Jumpform business."

"Within both the Industrial and Commercial Scaffold divisions we have experienced improvements in equipment hire rates and volumes. This is in part attributable to inflationary pressures increasing the cost of new equipment for participants in these markets. At present, this is resulting in a shortfall in available hire equipment and pushing up hire rates. Pleasingly, Acrow's strategic positioning allows us to capitalise on either trend."

"As mentioned above, during the half, Acrow continued to enhance its product portfolio with the entry into the Jumpform market. The opportunity to enter into a 10-year exclusive licencing agreement with Jacking Systems (New Zealand) opens a new revenue stream which should see Acrow generate annualised revenue of \$20m within 30 months."

"One of the major driving forces in Acrow's tremendous growth in recent years has been the development of our engineering capabilities. Over the last four years, we have almost tripled our engineering team to 43 and are winning contracts, assisted by our solutions based approach. As the team grows and evolves, our skillset continues to augment with the inclusion of design engineers to our team, focussed on developing market leading systems, specifically for the Australian formwork market."

"During the half, Acrow also reported another significant milestone. Our rigid hurdle rates on investment and the efficient deployment of growth capital have seen Return on Equity more than double over the last four years to over 26%. This is a strong indicator as to our capital management capabilities."

Key operating highlights during the period included:

- Record profits continue to be achieved through organic growth across all divisions with strong contributions during the period from Queensland, New South Wales, and Western Australia;
- Another period of record hire contract wins (\$29.7m) in the six months to 31 December 2022, up 28% on the PCP;
- A \$109m pipeline, up 34% on the PCP, with formwork related projects comprising around 90% of the pipeline;

¹ EBITDA is calculated on a pre-AASB16 basis.

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- The Commercial Scaffold division returned to growth on higher volumes and prices, with sales contribution up 29% on the PCP; and
- Acrow successfully entered the Jumpform market through an exclusive 10-year licencing agreement with Jacking Systems (New Zealand).

Capital Expenditure

Total capital expenditure in 1H FY23 was \$15.1m, with \$2.6m spent on maintenance capital and \$12.5m deployed on growth capital.

Over the balance of FY23, we expect to deploy an additional \$6m in capital expenditure, totalling circa. \$21m for the year.

Acrow continues to target a minimum 40% return on its investments. During 1H FY23 Acrow achieved an annualised return on investment of 53%.

Balance Sheet and Cashflow

During the period, debt headroom rose by \$1.8m to \$15.0m, and net debt rose by \$4.6m to \$37.4m, primarily due to the capital investment program.

The Company remains comfortable with gearing ratios. Net gearing rose by 0.6ppts to 28.9%, net debt to EBITDA¹ remained flat at 1.1 times and interest cover was 13 times for the period.

Dividends paid during the period totalled \$3.3m, net of the dividend reinvestment plan.

Tax commitments remained low during the year with \$340K of tax paid due to the use of carry forward tax losses combined with the utilisation of the government's instant asset write-off scheme.

Priorities and Outlook

As a result of the solid 1H FY23 results coupled with the strength of the forward outlook, the Acrow Board has today upgraded its FY23 earnings guidance. A summary is as follows:

Metric	FY23 current guidance	FY23 previous guidance	% change on FY22 ²
Sales	\$165.0m - \$175.0m	\$165.0m - \$175.0m	+15%
EBITDA	\$48.0m - \$49.0m	\$45.5m - \$46.5m	+34%
NPAT (underlying)	\$25.5m - \$26.5m	\$23.0m - \$24.0m	+46%
EPS (underlying)	9.8 - 10.2c	9.0 - 9.4c	+39%

Whilst not increasing revenue guidance, the significant increase in profit guidance is indicative of a greater proportion of revenue arising from equipment hire which generates a higher quality of earnings.

² Midpoint

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For the short-medium term, the key drivers of growth are expected to include:

- **Jumpform** - Expand the Jumpform business across Acrow's national footprint;
- **NSW Formwork** - Significant packages secured on Sydney Gateway and M12 Motorway projects with revenue to commence in April 2023. Currently tendering for the first formwork packages for Snowy Hydro;
- **Victorian Formwork** - Significant packages secured on Western distributor and CYP projects with revenue to commence in March 2023;
- **Natform** - Secured contracts as well as expected wins from the current pipeline will lead to the highest 6-monthly revenue in the history of this business; and
- **Product Sales** - Deep pipeline of large sale of equipment opportunities including Snowy Hydro and various PNG based Australian Government backed projects.

In concluding, Steven Boland said: "I am proud of our achievements to-date with a strong outlook for the balance of the year."

"FY23 is shaping up to be another record year. The hire contracts secured in FY22 and the first half of FY23 are leading to record levels of hire revenue being generated. This is a strong indicator as to the success of our growth capex program of the past couple of years as can also be seen by the trajectory of our Return on Equity."

"In the civil formwork market, many of the marquee projects that we are engaged on have several years to run, and we remain well positioned to secure additional packages as they are presented for tender. Furthermore, there is a broad pipeline of new projects that will be commencing in the not too distant future that I believe will continue to deliver considerable growth opportunities for Acrow over the next decade."

"I am very heartened by the results coming from our Natform screens business, which through a combination of innovation, geographical expansion, and leveraging cross-selling opportunities from the wider Acrow group, is headed towards its best year in terms of both revenue and profit."

"We have commenced trading in our Jumpform business and are off to a very promising start. We expect to be securing a few new contracts in the coming weeks that will highlight the national opportunity presented by this business."

"From a people management perspective, management is focusing heavily on succession planning, internal training, and a broad cadetship program. This work coupled with high quality external appointments over the past year continues to position Acrow as the leader in the markets we operate in."

This release was approved by the Acrow Board of Directors.

This summary should be read in conjunction with the presentation released to the ASX today.

The results will be presented by CEO & Managing Director, Steven Boland, and CFO Andrew Crowther, on an investor and analyst briefing call at 11.00 am AEDT on Thursday, 23 February 2023. Call access details were provided in a separate release to the ASX on Friday, 10 February 2023.

-ENDS-

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About Acrow

Acrow Formwork and Construction Services Limited (ASX: ACF) provides engineered formwork, scaffolding and screen systems solutions as well as in-house engineering and industrial labour supply services to its construction sector clients.

Acrow is made up of three distinct business divisions: Acrow Formwork and Scaffolding Pty Ltd, which hires high-quality scaffolding and provides bespoke engineered formwork for major building construction and infrastructure projects in Australia; Natform Pty Ltd, a specialist screen systems provider which designs and hires screen systems for the construction industry; and Uni-span Australia Pty Ltd, a provider of formwork and scaffolding solutions, equipment and services, which is complemented by in-house engineering and industrial labour supply.

Acrow currently operates in 10 locations across Australia and owns over 60,000 tonnes of formwork and scaffolding products. The Company has identified a number of near-term growth opportunities and is focused on growing its footprint in the civil infrastructure market of Australia's east coast, with a particular focus on New South Wales and Victoria. To learn more, please visit: www.acrow.com.au

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